

Trends in the U.S. Retail and Food Service Industry

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2005 U.S. RESTAURANT TRENDS

Emily O'Hern, Summer Intern with the Processed Products Division of the Foreign Agricultural Service (FAS) is this quarter's guest editor. This quarter's newsletter is dedicated entirely to looking at selected current trends in the U.S. restaurant industry. We spoke with the National Restaurant Association (NRA) and the USDA's Economic Research Service (ERS) to gain up-to-date information on current trends and predictions for the future.

The Growth of an Important Industry

According to the NRA, the restaurant industry is fast becoming more influential and important in the U.S. economy, as it spans almost 40 industry segments including commercial dining and non-commercial dining like school cafeterias and military restaurant services. According to the NRA, the restaurant industry has nearly \$476 billion in sales and 12.2 million employees, making it the largest private sector employer in the United States in 2005.

Restaurant industry sales are predicted to rise almost 5 percent in the year 2005 and these sales will be equal to 4 percent of the U.S. Gross Domestic Product (GDP). According to the NRA, about half of every food dollar in

America is spent on food away from home. The NRA states that every dollar spent by consumers in restaurants generates an additional \$1.98 spent in other industries related to the restaurant industry.



The NRA reports that the driving factor in the industry's growth continues to be unyielding consumer demand and rising consumer incomes. This month, FAS looks at three major trends shaping this important industry and the opportunities and challenges that they present. The topics covered are an increased concern for health and diet, evolving and varied tastes of Americans, and the diverse labor market.

Eating Out Healthy

Because of consumers' interest in health and wellness, restaurant operators are taking the lead in this area by expanding and updating menus with healthier fares. The NRA says that restaurant fare in 2005 will be less about keeping up with specific diet trends, but more about offering consumers more help in healthfully balancing their meals away from home.

Some full-service restaurants are offering sections in their menus with lighter fares, including nutritional value information printed in the menu for health conscious patrons. Fast food restaurants are offering a larger variety of salads, the choice of bottled water instead of soda, and healthier side options, especially on the children's menu.

Changing Tastes in America



According to the NRA, American consumers are developing more diverse and sophisticated tastes when it comes to dining out. Gone are the days where the only ethnic

restaurants were Italian or Chinese. Americans now are confronted with a myriad of choices from all around the world when dining out. Popular new cuisines include Thai, Afghani, Ethiopian, South American, and Indian food. The NRA reports that 64 percent of American adults indicated that their favorite restaurant foods provide flavor and taste sensations that cannot easily be duplicated in their home kitchen.

The Diversifying Workforce

Made up of 12.2 million employees, the restaurant industry is the largest private sector employer in the United States. Restaurant industry workers make up 9 percent of the nation's workforce. By 2015, the restaurant industry is predicted to add another 1.8 million positions, which are expected to extend across all occupational categories including management, chefs, wait staff, and maintenance and cleaning positions. The NRA predicts that in 2005 restaurants will continue and intensify their recruitment efforts in order to meet the demand for more restaurant workers in this exploding industry.

An extremely important facet of this expected growth is the increasing number of foreign-born workers in the United States. According to the U.S. Census Bureau there are 33.5 million foreign-born individuals in the United States who make up 11.7 percent of the total population. Restaurants employ approximately 1.4 million of these individuals, more than any other industry in the United States. This presence of foreign-born workers in the restaurant workforce is expected to increase in the coming years. One out of four full-

service restaurants and one out of two fast food restaurants report that they employ more foreign-born workers than they did two years ago.

Restaurants will likely offer more incentives and training to employees to entice them to enter the industry. Extremely important areas of training for foreign born workers include programs to improve employee's language skills and also focusing on helping managers speak the language of the restaurant staff.



An Economic Perspective

We recently sat down with Hayden Stewart, an agricultural economist for USDA's Economic Research Service to talk about trends and developments in the restaurant industry. Dr. Stewart is co-author of the ERS report "The Demand for Food Away from Home: Full-Service or Fast Food?" published in January 2004.

How are changing trends in the U.S. population affecting change in the demand for food away from home?

Dr. Stewart pointed out that as American incomes grow, Americans tend to spend more on goods and services which includes leisure. Food away from home is a form of leisure as it

frees households from having to buy, clean, cook, and prepare their own meals.

In addition, Dr. Stewart said that family size plays a considerable role in the decision of American families to eat out. "Larger families have lower cost per person for at home food because the cost of the ingredients per person diminishes when there are more people" said Dr. Stewart. Smaller families, including single parent families, may find it more costly to prepare meals at home considering the higher costs per person.

Age, according to Dr. Stewart, plays some role in affecting eating out; however studies don't conclusively demonstrate what type of role it does play. Dr. Stewart does point out that older Americans are more likely to patronize full-service restaurants rather than fast food establishments. Dr. Stewart said that younger Americans "may not have the same cooking skills as older generations which may create preferences to eat away from home." However, according to a report written by ERS, there is uncertainty in linking age to propensity to eat away from home.

How are the changing population trends affecting the offerings of the foodservice industry?

Dr. Stewart noted that as many Americans become more "convenience oriented" many full-service restaurants are starting to look for ways meet the demands of their customer's timetables.

He also noted that many fast food restaurants are trying to attract more customers by offering more “full-service restaurant qualities” like a wider menu variety and better service.

Another development that Dr. Stewart notes is the development of fast casual dining, which is a combination of quick serve and full-service restaurants. Fast casual restaurants, such as Panera and Boston Market, feature a larger, more sophisticated menu selection than quick service restaurants as well as more elaborately decorated dining areas. However, unlike full-service restaurants there is no wait staff and the customer takes their own food to the table.

For more information on the restaurant industry and current trends

The Web site for the NRA is <http://www.restaurant.org>

The Web site briefing room of ERS is <http://www.ers.usda.gov/Briefing/FoodMarketStructures/>

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